

**FOR
AGENDA**

SM/10/275
Supplement 1

October 27, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **Fiscal Monitor—Fiscal Exit: From Strategy To Implementation**

The attached supplement to SM/10/275, 10/12/10, which is now tentatively scheduled for discussion on **Monday, November 1, 2010**, provides a new Appendix Table 3 on Advanced Economies: Illustrative Fiscal Adjustment (Net Debt Target).

The staff proposes the publication of the paper after the Executive Board completes its discussion, together with a PIN summarizing the Executive Board's discussion.

Questions may be referred to Mr. Gerson (ext. 37729) and Mr. Kumar (ext. 37771) in FAD.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

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Appendix Table 3. Advanced Economies: Illustrative Fiscal Adjustment (Net Debt Target)
(Percent of GDP)

	2007		2010			Required Adjustment between 2010 and 2020		Difference	
	Net Debt	Gross Debt	Net Debt	Gross Debt	Cyclically Adjusted Primary Balance	With Net Debt	With Gross Debt	Assets-to-GDP ratio (Gross minus Net Debt)	Req adj (Gross Debt) minus Req adj (Net Debt)
Australia	-7.4	9.5	5.4	21.9	-4.1	4.2	4.4	16.5	0.2
Austria	48.7	59.2	59.9	70.0	-2.4	4.8	4.5	10.1	-0.3
Belgium	73.3	82.8	91.4	100.2	0.2	4.5	4.2	8.8	-0.3
Canada	23.1	65.1	32.2	81.7	-3.0	3.8	5.5	49.5	1.7
Czech Republic	...	...	...	...	...	...	...	...	...
Denmark	-3.8	34.1	0.3	44.2	-2.9	3.7	4.1	43.9	0.4
Finland	-72.6	35.2	-40.7	50.0	-2.1	2.2	3.1	90.7	0.9
France	54.1	63.8	74.5	84.2	-4.3	7.7	7.5	9.7	-0.2
Germany	50.1	64.9	58.7	75.3	-1.0	2.9	3.0	16.7	0.2
Greece ¹	...	...	...	...	...	...	...	...	...
Hong Kong	...	...	...	...	...	...	...	...	...
Iceland	11.0	29.3	75.6	115.6	8.7	-7.2	-6.2	39.9	1.0
Ireland	12.2	25.0	69.4	99.4	-6.6	10.6	11.9	30.0	1.2
Israel	72.9	77.6	71.4	76.1	-1.0	2.9	2.7	4.7	-0.1
Italy	87.2	103.5	99.0	118.4	0.7	3.3	3.8	19.4	0.5
Japan ¹	81.5	187.7	120.7	225.8	-6.5	13.0	13.0	105.1	0.0
Korea	...	...	...	...	...	...	...	...	...
Netherlands	30.6	45.5	45.8	66.0	-3.9	5.6	6.1	20.2	0.5
New Zealand	-5.7	17.4	3.2	31.0	-0.4	0.7	0.9	27.9	0.2
Norway ¹	-142.5	58.6	-152.3	54.3	9.4	0.0	0.0	206.6	0.0
Portugal	58.1	62.7	78.9	83.1	-3.0	6.7	6.0	4.2	-0.7
Singapore	...	...	...	...	...	...	...	...	...
Slovak Republic	...	...	...	...	...	...	...	...	...
Slovenia	...	...	...	...	...	...	...	...	...
Spain	26.5	36.1	54.1	63.5	-5.9	8.7	8.4	9.4	-0.3
Sweden	-17.1	40.1	-12.7	41.7	-0.7	0.5	1.0	54.5	0.5
Switzerland	43.3	43.6	37.8	39.5	0.8	-0.8	-0.8	1.7	0.0
United Kingdom	38.2	43.9	68.8	76.7	-5.6	9.2	8.8	7.8	-0.4
United States ¹	42.4	62.1	65.8	92.7	-6.8	10.5	11.6	27.0	1.0
<i>Average (PPP-weighted)</i>	45.3	75.4	67.3	101.2	-4.9	8.4	8.9	33.9	0.5
<i>G-20</i>	49.6	80.0	72.5	107.1	-5.2	8.9	9.5	34.6	0.6
<i>Median:</i>	46.2	64.3	67.3	82.9	-4.2	6.0	6.5	18.0	0.2
<i>Higher Debt</i>	51.1	79.3	74.8	106.8	-5.2	9.0	9.5	32.0	0.5
<i>Lower Debt</i>	-5.5	42.1	2.2	52.4	-1.7	2.7	3.5	50.1	0.8

Sources: October 2010 WEO; and IMF staff estimates.

Notes: Net debt simulations assume a target of 45 percent of GDP, broadly in line with the pre-crisis (2007) median in advanced G-20 countries or to stabilize debt at the end-2012 level by 2030 if the net debt-to-GDP ratio is less than 45 percent. For gross debt simulations, see notes to Appendix Table 1. The methodology for computing the required adjustment is described in the notes for Appendix Table 1 (shading corresponds to countries with "higher debt"). The country averages differ slightly from those depicted in Appendix Table 1 because the country sample here is smaller on account of missing data.

¹ For Japan, net debt is used for all scenarios, with a constant target of 80 percent (this corresponds to a gross debt target of 200 percent of GDP). For Greece (not shown), the illustrative required adjustment from 2011 to 2020 is 8.0 percent of GDP; this is premised on adjustment measures of 7.6 percent of GDP (as in the authorities' program) being implemented in 2010. For Norway, maintenance of primary surpluses at their projected 2012 level is assumed (primary balance includes oil revenue whereas elsewhere in this document the non-oil balance is shown). For the United States, the CAPB excludes losses from financial sector support.